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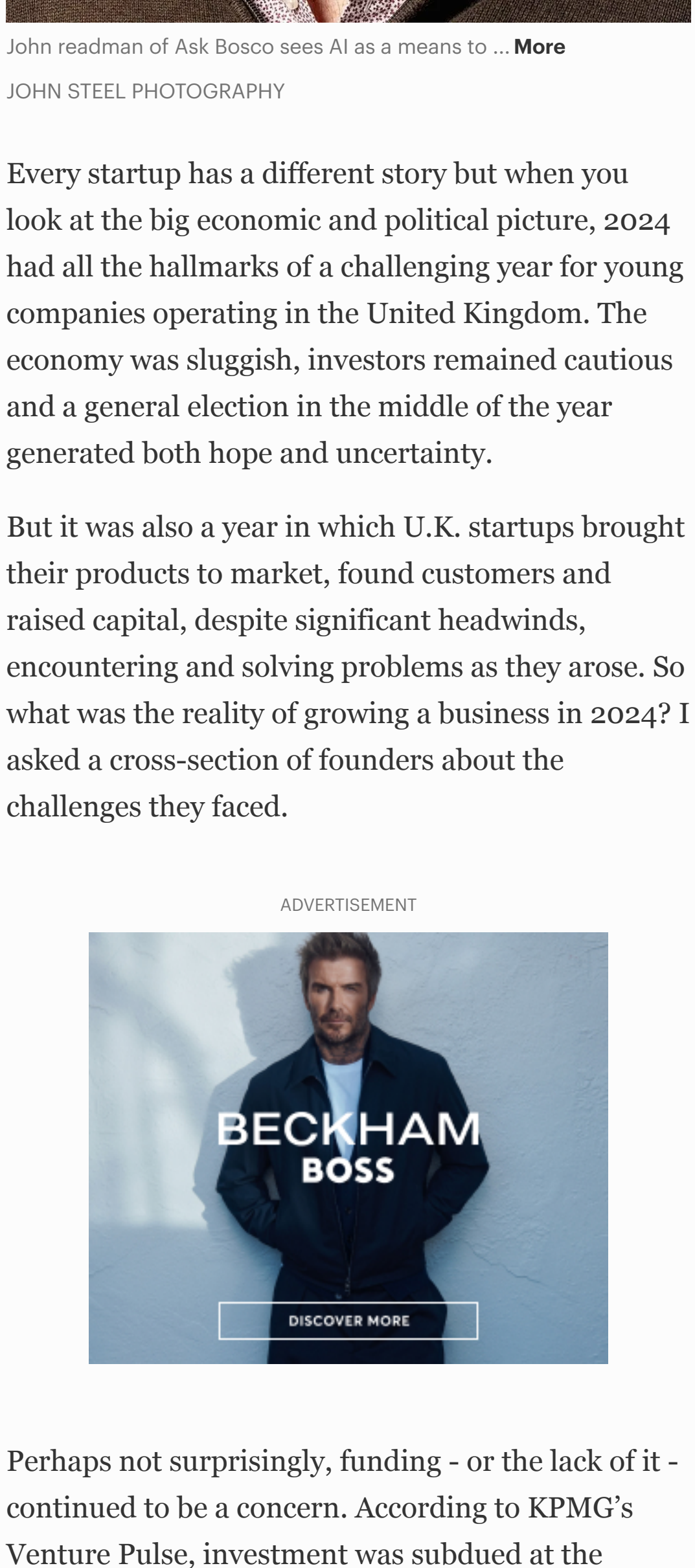
How U.K. Startups Navigated A Challenging Year

By [Trevor Clawson](#), Contributor. 

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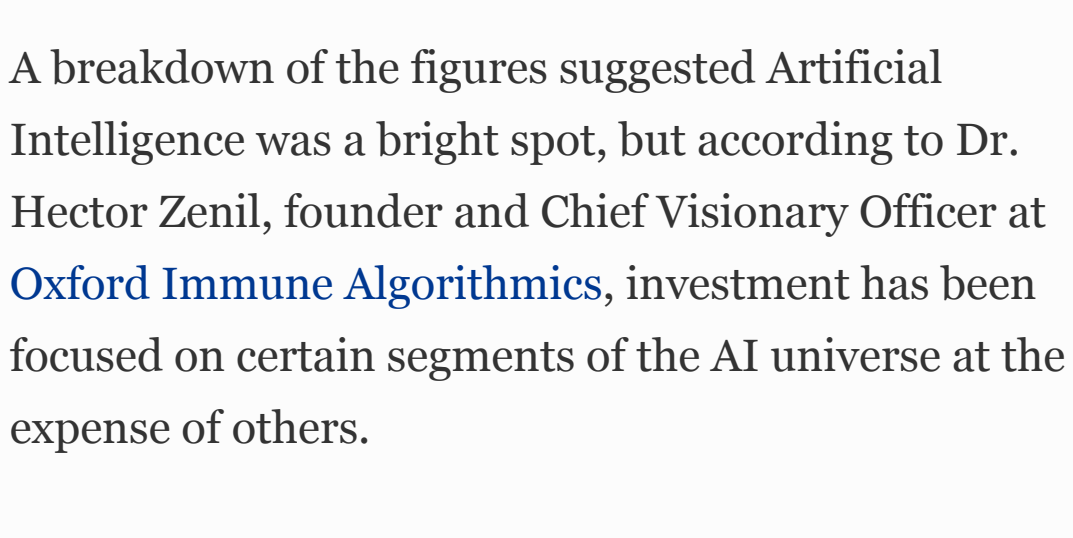


John readman of Ask Bosco sees AI as a means to ... [More](#)

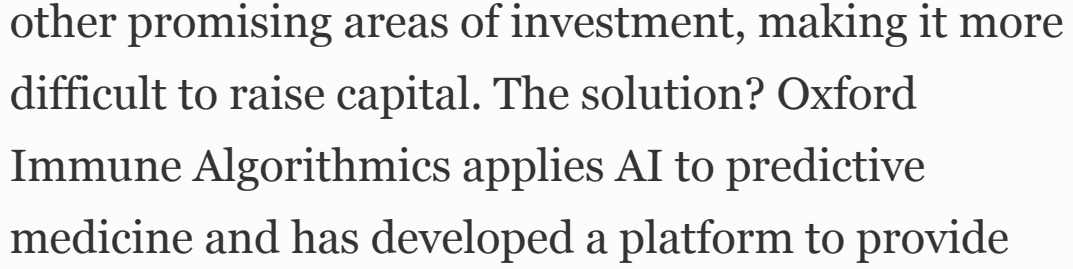
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Every startup has a different story but when you look at the big economic and political picture, 2024 had all the hallmarks of a challenging year for young companies operating in the United Kingdom. The economy was sluggish, investors remained cautious and a general election in the middle of the year generated both hope and uncertainty.

But it was also a year in which U.K. startups brought their products to market, found customers and raised capital, despite significant headwinds, encountering and solving problems as they arose. So what was the reality of growing a business in 2024? I asked a cross-section of founders about the challenges they faced.

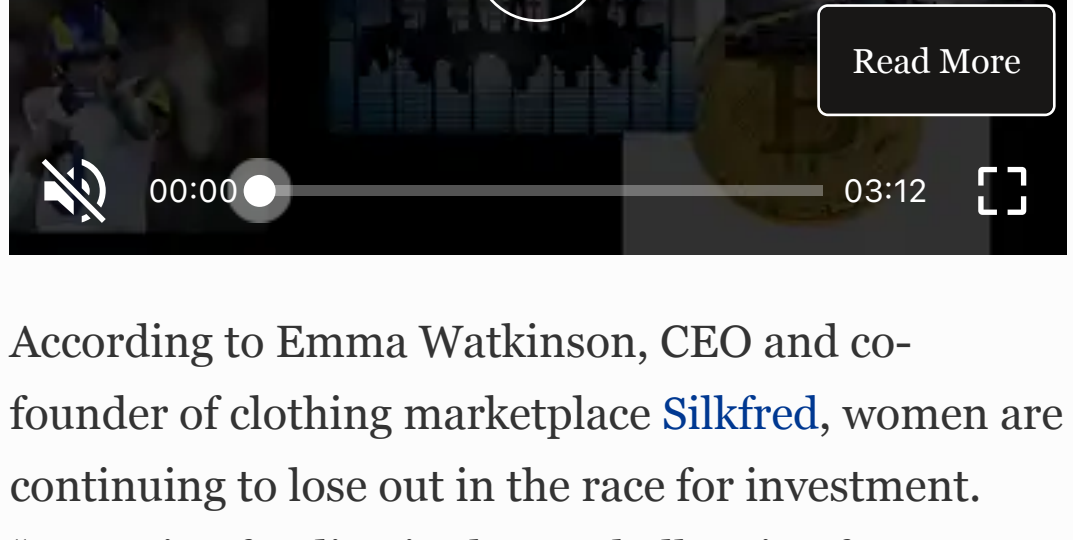


Perhaps not surprisingly, funding - or the lack of it - continued to be a concern. According to KPMG’s Venture Pulse, investment was subdued at the beginning of the year, picked up in the second quarter and then dipped (on a year-on-year comparison) in the July-September period. In numbers, VCs channeled \$13.5 billion to U.K. startups in Q3 compared with \$14.8 billion a year earlier. According to the KPMG analysis, the dip was due partly to general election uncertainty.



Concentrated Investment

A breakdown of the figures suggested Artificial Intelligence was a bright spot, but according to Dr. Hector Zenil, founder and Chief Visionary Officer at [Oxford Immune Algorithmics](#), investment has been focused on certain segments of the AI universe at the expense of others.

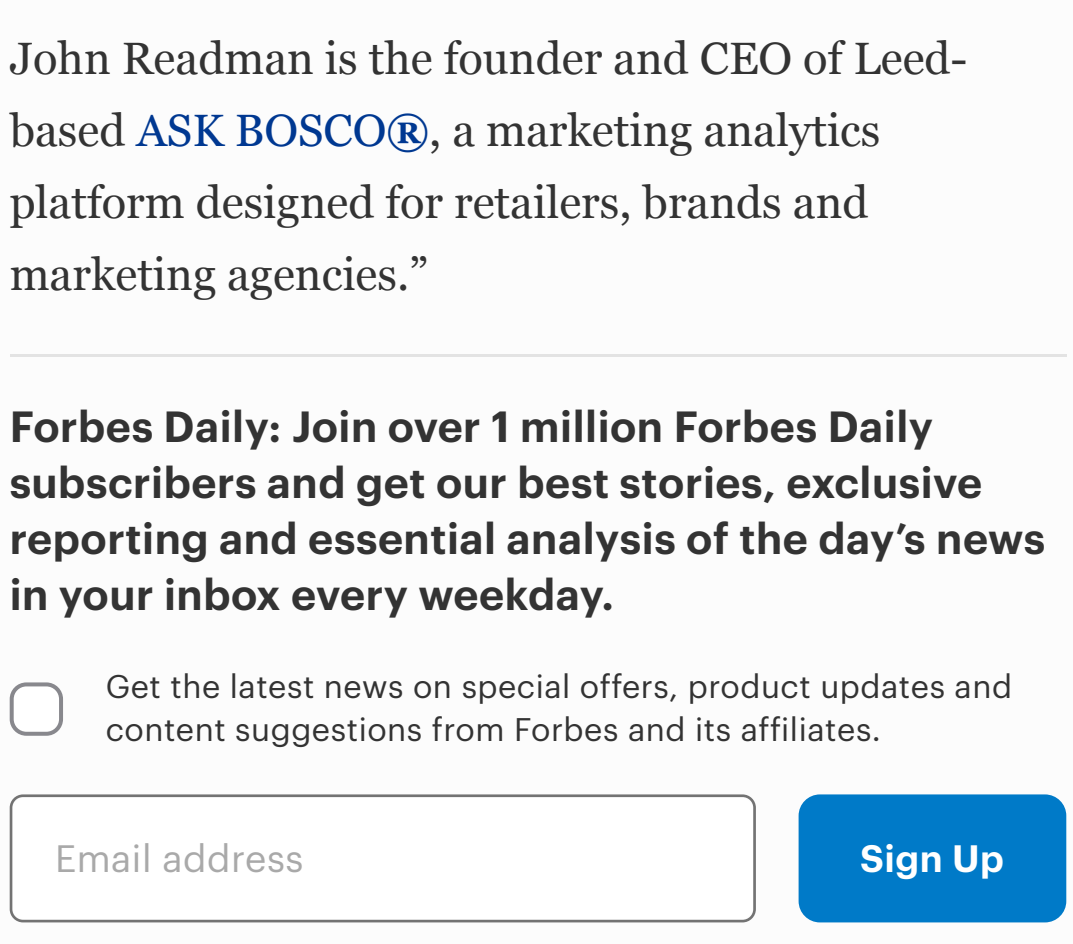


“The biggest challenge has been the extreme concentration of investment in large language models (LLMs) and chatbots,” he says.

As he sees it, this has diverted funding away from other promising areas of investment, making it more difficult to raise capital. The solution? Oxford Immune Algorithmics applies AI to predictive medicine and has developed a platform to provide an analysis of patient health. Dr Zenil says the company’s pitch to investors emphasises the value proposition and the prospects of returns.

“We're emphasizing the tangible impact and near-term ROI of our value proposition, differentiating ourselves from the speculative nature of current LLM investments,” he says.

There’s a bigger point here. Certain sectors such as climate and AI are attracting a huge amount of investor interest, but at a time when a lot of VC powder remains resolutely dry, life can be tough for companies that aren’t in a flavor of the day sector.



According to Emma Watkinson, CEO and co-founder of clothing marketplace [Silkfred](#), women are continuing to lose out in the race for investment. “Accessing funding is always challenging for founders, particularly female founders and founding teams where there are both men and women - only 2% of venture funding went to female founders in 2022, and only 14% to mixed gender founding teams,” she says.

Watkinson’s company has raised the funding it needs, although she wonders if life would have been easier if there were more female investors, particularly angels. Change is required and she points to the establishment of the Invest in Women Task Force as a step forward.

The Economy

As Watkinson points out, U.K. startups are still operating in a stagnant economy and the same is true across much of Europe. On a positive note, inflation has fallen closer to target levels, but prices are, for the most part, well above pre-pandemic levels. This affects company buyers and consumers.

John Readman is the founder and CEO of Leeds-based [ASK BOSCO®](#), a marketing analytics platform designed for retailers, brands and marketing agencies.”

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“The commercial temperature feels like it’s warming up again,” he says.”Inflationary pressures have been a challenge both for us and our clients.”

As Readman sees it, AI provides a means to mitigate economic pressures by using the available technologies to drive efficiencies. He says ASK BOSCO® has embraced AI and he encourages others - not least customers - to do the same.

The Political Backdrop

Politics has also affected startups. For instance, Readman says business sentiment was dampened by uncertainty around the general election and subsequent policy decisions.

Russ Shaw, CBE makes a similar observation. He is founder of [Tech London Advocates](#) and Global tech Advocates, organisations that set out to provide a voice for the innovation economy.

“2024 was a tough year for startups,” he says. “It was shaped by political and economic upheaval. Labour’s victory brought new policies that businesses are still adjusting to. Chief among these is the rise in Capital Gains Tax, which threatens to undermine much-needed investment.”

However, he also sees opportunities for startups. He cites: “Government-backed investments in renewable energy, data centres, and critical infrastructure provide fertile ground for growth.”

And it has to be said that the government’s stated intent of removing barriers to growth more generally could have a long-term positive impact on startup prospects.

So there is optimism but also uncertainty. Dr. Simon Thomas is co-founder and CEO of Paragraf, a Cambridge based company using graphene in the construction of electronic devices. As he explains, the company began the year wondering if it was possible to remain headquartered in the U.K. and deliver on its objective of becoming an example of “commercially scaled innovation.” He says more needs to be done to support scaleups.

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“While we expect the election results to provide some stability with respect to government policy – hopefully, at least for the next few years – we have to acknowledge that the barriers to business that we have been negotiating for the past seven years have not been removed, and we have been forced to reckon with new and emerging obstacles.”

Dr Thomas says he is hoping to see more clarity on policy in 2025, and also a greater commitment to supporting scaleups.

In addition to these big-picture challenges, the responses I received from startups often related to issues specific to their own circumstances, such as rapid innovation by competitors and changing customer expectations. Most, however, were determined to identify and implement solutions.

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